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THE
ANNUAL REPORT
OF
CROWLEY, MILNER AND COMPANY

YEAR ENDED
JANUARY 31, 1950

GRATIOT, FARMER, LIBRARY AND MONROE STREETS
DETROIT 26, MICHIGAN

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DETROIT, MICHIGAN

Registrar—Common Stock

MANUFACTURERS NATIONAL BANK

DETROIT, MICHIGAN

Registrar—Prior Preference and Preferred Stock

BANKERS-EQUITABLE TRUST COMPANY

DETROIT, MICHIGAN

Counsel

DYKEMA, JONES & WHEAT

DETROIT, MICHIGAN

Auditors

ERNST & ERNST

DETROIT, MICHIGAN

CROWLEY, MILNER AND COMPANY
GRATIOT, FARMER, LIBRARY AND MONROE STREETS
DETROIT 26, MICHIGAN

April 3, 1950

TO THE STOCKHOLDERS OF
 CROWLEY, MILNER AND COMPANY:

The annual financial report of Crowley, Milner and Company for the year ended January 31, 1950, is presented herewith.

OPERATING RESULTS

	YEAR ENDED JANUARY 31	
	1950	1949
Net sales	\$23,458,950	\$26,087,223
Merchandise costs and expenses.....	22,825,330	24,999,887
Operating profit.....	633,620	1,087,336
Other income—net.....	13,429	10,483
Federal income taxes.....	\$ 125,000	\$ 418,000
Charge for portion of 1950-51 property taxes equal to amount of income tax benefit.....	120,573	—0—
Federal income tax and equivalent charge.....	\$ 245,573	\$ 418,000
Net profit.....	401,476	679,819
Dividends paid.....	192,872	201,327
Balance of net profit retained in business.....	208,604	478,492

Net profit per share of common stock amounted to \$0.86 per share which compares with \$1.66 per share for the previous year. The actual amount of dividends paid on preferred stocks was deducted from earnings in calculating the results per common share.

The dollar amount of net sales declined 10%. This was in part due to slightly lower selling prices on the average. The physical volume of goods sold, as measured by the number of transactions, decreased 3.87%.

During the year 1949 the Michigan State Legislature enacted a new law changing the "assessment date", for the purpose of assessing property taxes, from March 1 to January 1. As a result of this change in the state law two assessment dates, March 1, 1949 and January 1, 1950, occurred within the fiscal year ended January 31, 1950. The dates for payment of property taxes were not changed. The March 1, 1949 property taxes were paid and charged to operating expenses for the year ended January 31, 1950. Upon advice of counsel the January 1, 1950 property taxes amounting to \$317,298 have been accrued on the books of the Company and deducted in determining federal income taxes for the year ended January 31, 1950 which resulted in a reduction in federal income taxes for the year of 38% of \$317,298.00 or \$120,573.00. In order to present the operating results for the year ended January 31, 1950 on a basis comparable with the preceding year the portion of the January 1, 1950 property taxes equal to the income tax benefit (\$120,573.00) has been charged against the operations of the current year and the remaining amount of \$196,725.00 has been charged to earned surplus.

The effect of handling this unusual item in the manner outlined has been first that the operating profit before income tax has been charged with one full years property taxes and second that in determining the final net profit for the year of \$401,476.00 there has been deducted an amount of \$245,573.00 representing what is equivalent to the usual federal income tax.

Provision for depreciation of buildings and equipment and for amortization of leasehold improvements amounted to \$134,602.00 for the current year and \$306,396.00 for the previous year. As explained in last years annual report the leases covering our department store premises at Gratiot, Farmer, Library and Monroe Streets were extended for an additional 25 years making the new expiration date June 30, 1976. The reduction in the provision for depreciation and amortization results from the writing off of property accounts over a longer term.

FINANCIAL CONDITION

A summary of pertinent data relative to the financial condition of the Company follows:

CURRENT ASSETS	Jan. 31, 1950	Jan. 31, 1949
Cash and government securities.....	\$ 2,003,965	\$ 2,018,006
Customer accounts.....	3,009,162	2,961,247
Inventories including merchandise in transit.....	2,880,321	2,861,101
Total Current Assets.....	\$ 7,893,448	\$ 7,840,354
CURRENT LIABILITIES		
Accounts payable, payrolls, etc.....	\$ 1,323,196	\$ 1,155,393
Federal income taxes.....	132,284	461,883
Accrued 1950-51 property taxes.....	317,298	—0—
Total Current Liabilities.....	\$ 1,772,778	\$ 1,617,276
Current assets, less current liabilities.....	\$ 6,120,670	\$ 6,223,078
Ratio of current assets to current liabilities.....	4.4 to 1	4.8 to 1

Customers accounts include weekly and monthly installment accounts amounting to \$1,967,252.00 at January 31, 1950 as compared to \$1,958,052.00 at the end of the previous year. The remainder of accounts receivable consists of regular charge accounts, layaway accounts, cash on delivery accounts in process of collection, etc.

Year end merchandise inventories have remained at approximately the same level for the past three years. Our analysis of the age of merchandise on hand shows that 4.8% was represented by merchandise over one year old which compares with 2.3% for last year and 5.7% two years ago.

The cost of net additions to property and equipment accounts for the year amounted to \$233,154.00 as compared to \$163,074.00 for the previous year.

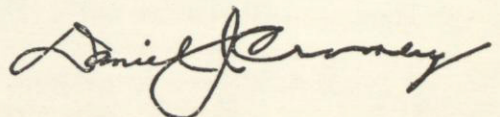
During the war years a reserve of \$350,000.00 for possible decline in market value of inventory and for other possible contingencies or disasters as a result of the war was provided. This reserve has now been restored to earned surplus.

During the year the regular dividend of \$3.00 per share was paid on the 6% cumulative \$50.00 par value prior preference stock. In addition, a dividend of \$6.00 per share was paid on the \$100.00 par value 6% non-cumulative preferred stock and a dividend of \$0.25 per share was paid on the common stock. These dividends are the same as were paid during the previous three years.

The prior preference sinking fund requirement resulting from the previous year's earnings was met during the year by the retirement of 2500 shares of prior preference stock which had been held in the treasury for that purpose. During the year ended January 31, 1950, 3101 shares of prior preference stock were purchased for the treasury at a cost of \$162,485.00, making a total of 3262 shares held in the treasury at January 31, 1950, which was sufficient to meet the sinking fund requirement resulting from the net earnings for the year ended January 31, 1950.

On behalf of the Board of Directors I would like to express our appreciation to all employees, stockholders, merchandise resources, and other suppliers for their fine cooperation and loyal support.

Very truly yours,



President

CROWLEY, MILN

BALANCE

ASSETS

	JANUARY 31, 1950	JANUARY 31, 1949
CURRENT ASSETS:		
Cash.....	\$ 987,390	\$1,001,646
United States Government securities—at cost and accrued interest (approximately market).....	1,016,575	1,016,360
Trade accounts receivable (including installment accounts), less allow- ance of \$125,000 for doubtful accounts.....	3,009,162	2,961,247
Inventory on hand and in transit—at lower of cost or market (after deducting allowance of \$100,000) as determined by the retail in- ventory method.....	2,880,321	2,861,101
TOTAL CURRENT ASSETS.....	\$7,893,448	\$7,840,354
OTHER ASSETS:		
Miscellaneous accounts and investments, less allowance of \$5,000.....	37,551	98,012
PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS—at cost:		
Land and buildings owned.....	\$ 840,944	\$ 700,944
Buildings and improvements on leased land.....	4,655,803	4,627,345
Furniture, fixtures, and equipment.....	1,037,253	1,067,613
	\$6,534,000	\$6,395,902
Less accumulated provisions for depreciation and amortization.....	4,806,807	4,782,577
	\$1,727,193	\$1,613,325
LEASEHOLDS AND GOOD WILL.....	1	1
PREPAID EXPENSES:		
Supply inventory, insurance, and other prepaid expenses.....	141,909	211,657
	<u>\$9,800,102</u>	<u>\$9,763,349</u>

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LIABILITIES

	JANUARY 31, 1950	JANUARY 31, 1949
CURRENT LIABILITIES:		
Trade accounts payable.....	\$ 784,394	\$ 755,584
Contract payable.....	130,000	—0—
Pay rolls and pay roll deductions.....	293,830	330,031
Accrued 1950-51 property taxes.....	317,298	—0—
Miscellaneous taxes.....	107,472	62,278
Federal taxes on income—estimated.....	132,284	461,883
Serial note due within one year.....	7,500	7,500
TOTAL CURRENT LIABILITIES.....	<u>\$1,772,778</u>	<u>\$1,617,276</u>
SERIAL NOTES—payable \$7,500 annually.....	52,500	60,000
RESERVE:		
For possible future decline in market value of inventory and for other contingencies.....	—0—	350,000
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Prior Preference Stock, 6% cumulative, par value \$50 per share—Note A:		
Authorized and issued 28,224 shares		
In treasury 3,262 shares		
Outstanding 24,962 shares (28,063 shares at January 31, 1949).....	\$1,248,100	\$1,403,150
Preferred Stock, 6% non-cumulative, par value \$100 per share—Note B:		
Authorized and outstanding 4,959 shares.....	495,900	495,900
Common Stock, par value \$1 per share:		
Authorized and issued 352,250 shares		
In treasury 12,817 shares		
Outstanding 339,433 shares.....	339,433	339,433
TOTAL CAPITAL STOCK.....	<u>\$2,083,433</u>	<u>\$2,238,483</u>
Surplus—Note C:		
Capital surplus (no change since 1942).....	2,410,247	2,410,247
Earned surplus.....	3,481,144	3,087,343
TOTAL CAPITAL STOCK AND SURPLUS.....	<u>\$7,974,824</u>	<u>\$7,736,073</u>
	<u>\$9,800,102</u>	<u>\$9,763,349</u>

See notes to financial statements.

CROWLEY, MILNER & COMPANY

STATEMENT OF PROFIT AND LOSS

	YEAR ENDED JANUARY 31	
	1950	1949
Net sales (including sales of leased departments)	\$23,458,950	\$26,087,223
Costs and expenses:		
Cost of merchandise sold, workroom costs, and buying and occupancy expenses	\$17,986,721	\$19,899,522
Publicity, selling, and administrative expenses, less deferred payment account fees	4,787,866	5,049,703
Provision for loss on bad accounts, less recoveries	50,743	50,662
	<u>\$22,825,330</u>	<u>\$24,999,887</u>
OPERATING PROFIT	\$ 633,620	\$ 1,087,336
Other income:		
Interest earned on United States Government securities	\$ 12,396	\$ 11,354
Miscellaneous income	27,568	31,126
TOTAL OTHER INCOME	<u>\$ 39,964</u>	<u>\$ 42,480</u>
	\$ 673,584	\$ 1,129,816
Other deductions:		
Expenses of property not used in operations, less income	\$ 22,099	\$ 24,249
Miscellaneous deductions	4,436	7,748
TOTAL OTHER DEDUCTIONS	<u>\$ 26,535</u>	<u>\$ 31,997</u>
PROFIT BEFORE TAXES ON INCOME AND SPECIAL CHARGE	\$ 647,049	\$ 1,097,819
Federal taxes on income—estimated	\$ 125,000	\$ 418,000
Charge for portion of 1950-51 property taxes equal to the amount of income-tax benefit—Note E	120,573	—0—
	<u>\$ 245,573</u>	<u>\$ 418,000</u>
NET PROFIT	<u><u>\$ 401,476</u></u>	<u><u>\$ 679,819</u></u>

Provision for depreciation of buildings and equipment and for amortization of leasehold improvements amounted to \$134,602 for 1950 and \$306,396 for 1949.

See notes to financial statements.

CROWLEY, MILNER & COMPANY

STATEMENT OF EARNED SURPLUS

	YEAR ENDED JANUARY 31	
	1950	1949
Balance at beginning of year.....	\$3,087,343	\$2,613,795
Additions:		
Net profit for the year.....	401,476	679,819
Elimination of reserve for future decline in market value of inventories and other contingencies.....	350,000	
Excess provisions in prior years for federal income taxes.....	35,680	
Adjustment of equipment accounts, accumulated depreciation, and other prior year adjustments—net.....	3,677	
	<u>\$3,878,176</u>	<u>\$3,293,614</u>
Deductions:		
Cash dividends paid:		
Prior Preference Stock—\$3.00 per share.....	\$ 78,260	\$ 86,715
Preferred Stock—\$6.00 per share.....	29,754	29,754
Common Stock—\$0.25 per share.....	84,858	84,858
TOTAL DIVIDENDS.....	<u>\$ 192,872</u>	<u>\$ 201,327</u>
Amount paid in excess of par value for Prior Preference Stock purchased for the treasury (1950—3,101 shares; 1949—2,034 shares).....	7,435	4,944
Property taxes for 1950-51 (\$317,298), less the amount of income-tax benefit (\$120,573)—Note E.....	196,725	—0—
TOTAL DEDUCTIONS.....	<u>\$ 397,032</u>	<u>\$ 206,271</u>
Balance at end of year.....	<u><u>\$3,481,144</u></u>	<u><u>\$3,087,343</u></u>
See notes to financial statements.		

CROWLEY, MILNER AND COMPANY

NOTES TO FINANCIAL STATEMENTS

Year ended January 31, 1950

Note A—The Prior Preference Stock is entitled upon liquidation or redemption to \$60 per share or a total of \$1,497,720 for the shares outstanding at January 31, 1950. The Articles of Incorporation provide that 25% of the annual net earnings after deduction therefrom of dividends paid on Prior Preference Stock shall be set aside in a sinking fund to be used for the purchase and retirement of the Prior Preference Stock. At January 31, 1950, the Company had sufficient shares of Prior Preference Stock in its treasury to meet the sinking fund requirements based on earnings for the year then ended.

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NOTES TO FINANCIAL STATEMENTS—Continued

Note B—The Preferred Stock is redeemable at par value of \$100 per share provided all Prior Preference Stock has been retired; however, in the event of dissolution of the Company, but only in that event, the Preferred Stock would be entitled to an additional \$57.50 per share, which as of January 31, 1950, amounted to \$285,142 for the shares outstanding.

Note C—Surplus at January 31, 1950, was restricted in the amount of \$175,917, representing the par value of capital stock held in the treasury. The Company has agreed that so long as Prior Preference Stock is outstanding it will not declare or pay any dividends which would reduce the ratio of current assets to current liabilities to less than two and one-half to one, and that no dividends will be declared on Preferred Stock or Common Stock until all dividend and sinking fund requirements of the Prior Preference Stock shall have been fulfilled, including a minimum annual retirement of \$150,000 of Prior Preference Stock through operation of the sinking fund.

Note D—During January, 1949, the leases covering the Company's store premises at Gratiot, Farmer, Library, and Monroe Streets were extended for an additional 25 years, making the new expiration date June 30, 1976. The extension agreement provides for rental payments on a percentage of sales basis (plus payment of real estate taxes) at rates approximately the same as under the old leases, the principal change being that the minimum annual rental is \$411,958 during the extended period, while the minimum rental under the old leases, entered into in 1934, is \$262,498. The provisions of the old leases requiring restoration of dividing walls at expiration of the lease period have been continued in the extended leases. The cost of such restoration has not been provided for herein.

Note E—As a result of a change in state law relative to the assessment date, both 1949-50 and 1950-51 property taxes were accrued on the books of the Company and deducted for federal income-tax purposes in the year ended January 31, 1950. The 1949-50 property taxes have been included in operating expenses of the year, but only a portion of the 1950-51 property taxes, equal to the resulting income-tax benefit, was charged to profit and loss and the remainder was charged to earned surplus.

ACCOUNTANT'S REPORT

BOARD OF DIRECTORS,
CROWLEY, MILNER AND COMPANY,
DETROIT, MICHIGAN.

We have examined the balance sheet of Crowley, Milner and Company as of January 31, 1950, and the related statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Crowley, Milner and Company at January 31, 1950, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Detroit, Michigan
March 20, 1950

